

Natural Rubber as a Potential Source for Foreign Export Earning

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Rubber is an industrial crop, which can be exported and is currently a product with a growing international demand. In Cambodia rubber is mainly grown in Kampong Cham, Ratanakiri, Mondoldiri, Kratie and Kampong Chhnang provinces. Most of the rubber is grown by state owned plantations, private owned plantations and small holders. Rubber plantations for natural rubber occupies more than 60,000 hectares. Broadly speaking, according to the study on the Evolution of the Cambodian Rubber Sector Report, the rubber industry only accounts for 4 percent of the country's agricultural sector and employs approximately 40,000 people throughout the country.

The price of Cambodian natural rubber has experienced ups and downs influenced by demand and supply from the international market. Until recently, the price of natural rubber increased sharply in the last few years. In 2005, Cambodia exported a total of 28,289 metric tons of natural rubber. The exports were mainly to regional countries such as Vietnam, China, Malaysia, etc. This sector generated approximately US\$37 million of foreign export earnings during the same year.

However, Cambodia represents only 0.29 percent share of the world's natural rubber production and ranks 16th among rubber producing nations. It is apparent Cambodia has very little impact on the global rubber production. The Cambodian rubber industry faces many challenges ranging from lack of plant materials, security of land tenure, lack of technical support, high and long term investment, and low productivity, processing capacities, low level of production and rubber discount prices. In addition to these constraints, the cost of rubber processing is between US\$74 to US\$120/ton, more expensive than other regional countries. In Vietnam, the processing costs are US\$70/ton and nearer to US\$60/ton for Indonesian factory operators/exporters.

Despite many challenges ahead, potential market opportunities for Cambodia's rubber sector exist. One should consider how to remove the constraints, of which there are three main issues. Firstly, immediate attention should be given to the promotion of quality control of Cambodian rubber, particularly in setting up a system of export specification and certification, improving the system that monitors the requirements of foreign rubber markets, analyzing opportunities and threats, and recommending responses.

Secondly, more emphasis should be given on rubber research and extension activities to boost productivity and dissemination of appropriate technology to rubber planters in relation to plant materials, land preparation, and technical advice. Furthermore, the quality of inputs needs to be verified regularly by checking planting materials used. Lastly, improving access to long-term rural credit, to minimize interest rates, to encourage potential private sector investment in increasing cultivated areas, rubber processing and trading also need serious attention.

By implementing these proposed action plans, Cambodian rubber planters could benefit substantially from favorable market opportunities since the demand for natural rubber is increasing from year to year, and its price has increased sharply in the last five years rising from US\$497/ton in 2001 to around US\$1,900/ton in 2006, and it is expected to continue on an upward trend. This situation provides an excellent opportunity for diversification and income generation. This could also make a substantial contribution towards attaining the objective of improving the standard of living and reducing poverty in the areas naturally suitable for rubber crop plantation.

ⁱ Views expressed are personal.